



APPROPRIATIONS UPDATE

HOUSE COMMITTEE ON THE BUDGET
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FURTHER CONTINUING APPROPRIATIONS FOR FISCAL YEAR 2003 (H.J.RES. 112)

SUMMARY

This resolution, the second continuing resolution [CR] for fiscal year 2003, provides for the continued operations of the Government through 11 October 2002. This second CR is necessary because none of the regular appropriations for fiscal year 2003 – which began on 1 October – has been enacted.

The previous CR, H.J.Res. 111, funded Government operations through 4 October. This CR merely changes the date to 11 October. As a result, the resolution would fund all projects or activities funded in fiscal year 2002 at the same rate of operations until either: 1) the enactment of an

appropriation act covering the project or activity; or 2) the expiration of the CR.

As has traditionally been the case, the CR provides for the continued funding of emergency-designated appropriations. Because of the unique circumstances affecting fiscal year 2002 appropriations – principally the need to rebuild New York and the Pentagon after the terrorist attacks of 11 September 2001 – the continuation of those appropriations leads to a level of nondefense spending that is \$8.2 billion above the amount contained in the President's budget request and the House budget resolution.

COST OF THE LEGISLATION

Under congressional procedures, the cost of a short-term continuing resolution is determined on an annualized basis, which makes the assumption that the bill would extend for the entire fiscal year. On that assumption, the Congressional Budget Office [CBO] estimates that the CR would provide \$744.3 billion in discretionary budget authority for fiscal year 2003. That amount is \$11.3 billion above the fiscal year 2002 amount (see Table 1 below), largely because of an

appropriation for the accruing costs of Department of Defense health care. That \$8.3 billion appropriation is necessary because the requirement to accrue those costs first takes effect for fiscal year 2003.

The other \$3-billion increase results from technical factors, such as spending increases for fee-based programs, assumed in CBO's construction of the spending "freeze" baseline.

Table 1: Continuing Appropriations for Fiscal Year 2003

(fiscal years; millions of dollars)

| | 2002 Enacted | Administration 2003 Request | 302(a) for 2003 | CR |
|------------------|--------------|-----------------------------|-----------------|---------|
| Budget Authority | 732,975 | 759,052 | 748,096 | 744,250 |
| Outlays | 732,893 | 788,462 | 785,590 | 773,015 |

The CR appears to be \$14.8 billion below the administration's request. That comparison, however, does not account for the sea change in Federal budgetary

priorities that the President has called for to defend the homeland and fight terrorism abroad. As shown in Table 2 (on the reverse side), the budget resolution provided for a

(continued on reverse side)

\$23-billion increase in defense spending relative to a CR at fiscal year 2002 levels (including the \$10-billion war reserve that has not yet been allocated by the Armed Services and Appropriations Committees), and an \$8.2-billion decrease in nondefense spending. The increase in defense is intentional; the decrease in nondefense is largely an artifact of the additional expenditures needed for immediate disaster relief in the wake of last September's terrorist attacks: to rebuild infrastructure in New York City; to refurbish damaged areas at the Pentagon; and to maintain an adequate stockpile of vaccines to be available in the event of an attack on the United States using biological weapons.

A recent analysis by the Office of Management and Budget has conservatively estimated that \$16.2 billion in one-time expenditures are included in the fiscal year 2002 base used for the continuing resolution. Of that amount, \$14.9 billion was for nondefense programs. Removing that spending from the CR would show that the budget in fact provides for \$6.7 billion in additional nondefense discretionary spending on recurring Government programs and activities. The CR, however, does not remove one-time spending from the base of current operations, and CBO therefore does not remove the cost from its computation of how much spending authority is granted by the bill.

Table 2: Comparison of Current-Rate CR With President's Request
(fiscal year 2003 budget authority, in millions of dollars)

| | Budget ^a | CR | Difference |
|----------------------------|---------------------|---------|------------|
| Defense Bills ^b | 376,133 | 353,176 | 22,957 |
| Nondefense Bills | 382,919 | 391,074 | -8,155 |
| Total | 759,052 | 744,250 | 14,802 |

^a Includes Defense War Reserve.
^b Defense bills are Defense and Military Construction appropriations bills.

COMPLIANCE WITH THE BUDGET RESOLUTION

The CR technically complies with the House Concurrent Resolution on the Budget for Fiscal Year 2003 (H.Con.Res. 353). As shown above, the amount of new budget authority does not exceed the amount available under the 302(a) allocation available to the House Appropriations Committee, so that allocation is not breached. Further, the budgetary aggregates for budget authority and outlays are not exceeded, so there is no violation of section 311(a) of the Congressional Budget Act, which prohibits the consideration of legislation exceeding the aggregate levels

of budget authority and outlays established in the budget resolution.

As the 13 regular appropriations bills are enacted, it is likely that this CR could cause a breach of the spending levels in the budget resolution, and hence violate the Budget Act. For example, if the defense and military construction bills are enacted at the levels passed by the House, continuation of the current CR would cause a breach of the budget authority totals of at least \$3.4 billion.

AUTHORIZATION ISSUES

As was the case in the previous CR, the bill continues to prohibit the collection of certain pesticide fees that are counted as revenues. This provision is expected to result in a

revenue loss of \$25 million if continued for all of fiscal year 2003. This revenue loss is not counted against the discretionary allocations.

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